

NAB - Rotten To The Core

Summary:

NAB cash earnings down 9%. \$360 million foreign exchange scandal is only part of the story.

Article Information **Category:** [Banking News](#)

Banking Company: NAB

Bank Malpractice Type: Incompetent Business Practices

Powermongering & Greed

Other Bad Banking Behaviour

Author: Reporter: Tim Lester

Source: Australian Broadcasting Corporation - 7:30 Report

Date First Published: 12 May 2004

Posted By Peter Brandson

28 Mar 2014 - 12:12pm



NAB Report Grim

KERRY O'BRIEN: The boardroom brawl that paralysed the country's biggest bank for weeks may be over, but the effects could linger for years to come.

The National Australia Bank announced its half year result this morning - and while there was a 19 per cent rise in the bank's net profit, closer scrutiny of the balance sheet revealed cash earnings

down by almost 9 per cent.

And the \$360 million foreign exchange scandal is only part of the story.

NAB's new chief executive emerged from the bank's Melbourne headquarters to brief Sydney analysts on the result.

Business and economics editor Tim Lester was there.

TIM LESTER: Damage assessors move in after the storm.

SHAWN BURNS, DEUTSCHE ASSET MANAGEMENT: The outlook is disappointing. It's going to take them a while to turn around.

TIM LESTER: To sift through half year profit figures battered by four months of controversy within one of our largest and generally most profitable companies.

VANESSA BEENDERS, COMMSEC: What we saw out of the National today was profit going backwards by about 9 per cent. So, extremely disappointing.

TIM LESTER: How do you make an 8.7 per cent slump in National Australia Bank's cash earnings look like anything less than a disaster?

Well, you announce a month before the fact that it might be 10 per cent.

National Australia Bank warned us this was coming so that CEO John Stewart could deliver not a shock but a number in line with market expectations.

JOHN STEWART, CHIEF EXECUTIVE, NAB: These are clearly disappointing results.

We have had a lot of distractions for most of this year, but these results are not just about distractions.

These results are also about things in this business that we need to fix.

TIM LESTER: The trigger for NAB's slump unfolded late last year as four foreign exchange traders, David Bullen among them, gambled - first to justify their six figure bonuses and then hoping just to fill in the hole they were digging, ultimately \$360 million.

DAVID BULLEN, FORMER CURRENCY TRADER, NAB: We were outside of limits, trading limits, and they were being approved, well, they were being signed off on.

TIM LESTER: When the bank finally woke up in January - recriminations.

The CEO and chairman went but, after two damning reports, the board's audit committee head refused to go unless other directors shared the blame.

Catherine Walter has now taken two more directors out with her.

The new chairman has to had to promise he'll leave by next mid-next year and the new CEO now says it will take one to two years to turn the bank around.

JOHN STEWART: I want to see this bank turned around.

I want to see a steady course on a great growth chart trajectory before I'll be leaving.

TIM LESTER: And after his first 100 days in the CEO's job, John Stewart insists he's about for NAB's long haul.

JOHN STEWART: After the pain I have suffered, Phil, over the last three months, you know, where, essentially, when I haven't been sleeping I've been working. I've got a lot of skin in this game.

TIM LESTER: But for all its grief, the bank highlights today a six month net profit 19 per cent better than last year - a testament to how profitable our banks remain.

Two weeks ago, ANZ reported a near \$1.4 billion six month profit, up 22 per cent. Our fifth largest lender, St George, so impressed the market with its \$354 million profit - up almost 19 per cent - its share price surged.

So much so that when Westpac announced a record half year net profit of almost \$1.25 billion - up 17 per cent - the market said not enough and promptly wiped almost \$1 billion off the bank's value.

SHAWN BURNS: It's obvious that NAB is struggling compared to the other banks. It's got NAB-specific issue, especially in the UK, which is a terrible result.

And there's a lot of work there to do for NAB.

TIM LESTER: Deutsche asset manager Shawn Burns and Vanessa Beenders from the Commonwealth Bank subsidiary CommSec were among those assessing the NAB's results this afternoon.

VANESSA BEENDERS: It was an extremely poor result.

TIM LESTER: In years to come, business text books will examine where NAB's rot started.

Some will look back three years where no one took blame or even properly explained a \$4 billion loss on the bank's US subsidiary, HomeSide.

VANESSA BEENDERS: And I think a lot of shareholders have never recovered because they never really heard specifically what went wrong, why it went wrong and what the National was going to do to prevent that happening in the future.

SHAWN BURNS: I think the problems stem from probably the late 1990s for NAB. I think that they started a global expansion, which proved to be the wrong thing to do in hindsight.

TIM LESTER: But for Geoff Stapeldon, who advises fund managers on how to use clout, the bank's extraordinary boardroom fight has been the most telling event.

GEOFF STAPELDON, IA RESEARCH: National Australia Bank, I think, almost would take the cake in terms of these public explosions. I think this one has really, you know, made a lot of people, both in the institutional investor community and also within boards of directors around the country, sit up and take notice.

SHAWN BURNS: What's happened to the NAB board over the last year is a big wake-up call to corporate Australian boardrooms around Australia.

I think they're all having very close look at themselves because NAB was the blue blood of Australian industry.

And for that to happen to such a premium company, I think everyone will be looking very closely at what they...

TIM LESTER: Geoff Stapeldon says Australian boards will now be faster to take advice.

GEOFF STAPELDON: Boards will try to get input from major institutional investors earlier in the piece, in the future.

TIM LESTER: With its boardroom brawl over, the National Australia Bank can now hope it's seen the last of fallout from the foreign exchange trading scandal. And normally if CEO John Stewart has discovered other nasties, he would have announced them today or risked taking blame for them down the track.

In fact, though, the bank has a second half review and some analysts expect it to consider major writedowns, including of computer software, which could amount to more than \$1 billion worth.

JOHN STEWART: It's speculation and I've read it a lot and seen a lot of brokers reports and that is their opinion.

We will, over the next six months, determine our own opinion.

TIM LESTER: John Stewart insists there may be no write offs but he's not yet willing to promise the worst for NAB has passed.

The next six months, he says, will be flat at best.

VANESSA BEENDERS: Probably the biggest task he faces is changing the culture within the organisation.

He needs to do that through filling his many senior executive vacancies, and that's something which he says will take months for him to do.

JOHN STEWART: We are the biggest financial institution in Australia and one of the biggest financial institutions in the world.

But we're not the best financial institution and I want us to be one of the best financial institutions in the world.

KERRY O'BRIEN: Tim Lester with that report.

Source URL (modified on 12 Jun 2014 - 11:04pm): <https://mail.reformnow.com.au/node/102>